FY 2025-26

Preliminary Budget Recommendations from the City Administrator

City of Portland, OR

February 28, 2025

Letter from City Administrator

February 28, 2025

This document represents a first for the City of Portland, as the initial major evolution of the budget process in response to City Charter changes approved by voters in November 2022. The transition to this new form of government presents many opportunities for re-visioning City operations, including budget development. Key objectives of improving the City's budget development process are to enhance transparency about City finances, funding priorities and service impacts, and to expand opportunities for Portlanders to have meaningful input in deciding how public dollars are used.

Prior to this year, each City bureau worked under a commissioner-in-charge to develop a bureau-specific requested budget for submittal to the Mayor and the City Budget Office for review and further development.

In the new form of government, early development of bureau and program-specific budget concepts occurs on an enterprise basis, led collaboratively by the City Administrator (through the Deputy City Administrators for each City service area). The goal is to produce a package of preliminary budget concepts that have undergone collaborative internal review, resulting in a public document that provides a holistic perspective of priorities and trade-offs citywide.

As the City Administrator, I am providing this document as the first major step in putting forward specific FY 2025-26 budget concepts for review and consideration by the Mayor, City Council, and all Portlanders. The City Budget Office is working with City Council and the Mayor to develop multiple pathways to ensure that all stakeholders have an opportunity to share input in the coming weeks and months. In accordance with State of Oregon budget law, the Mayor will advance the budget conversation in early May with production of a balanced Proposed Budget, which will then be subject to further adjustment prior to City Council approval and adoption in June.

The City faces a significant challenge in developing a balanced budget for FY 2025-26. Revenues are not keeping up with expenditures, and State budget law requires that we modify expenses to fit within available resources.

Nearly every fund in the City will be looking at some level of budget constraint. We are identifying potential efficiencies throughout the City and will prioritize cost-savings measures that streamline performance above budget reductions that reduce City services. However, the size and scope of the financial reality will require us to consider difficult trade-offs to produce a budget that aligns to available City resources. Solutions will include staff and expense reductions, realignments, and use of available resources.

As a unified executive branch, we are thinking and working collaboratively to develop concepts that consider interactive impacts between and across bureaus to reduce duplication of effort, identify competing priorities, and ultimately deliver improved services to Portlanders.

The process that informed this document began in October 2024 under the previous Mayor and City Council. As the new Mayor and Council came on board Jan. 1, 2025, we have worked to collect and reflect new emerging priorities to the extent possible.

The information, Decision Packages, and recommendations put forth in this document act as a starting point to facilitate further discussion and development—they do not result in a balanced budget, nor will they necessarily be reflected exactly as recommended in the Mayor's Proposed Budget. That said, I have tried to balance input from the Mayor, City Council, and other stakeholders in the development of these recommendations.

Importantly, this document does not reflect the entire universe of potential budget adjustment options. I look forward to hearing from the community and from City Council about additional opportunities to align the City budget to the resources available.

Lastly, I express my gratitude to the City Budget Office for helping to manage and technically implement this preliminary budget development, and to the many employees citywide who have provided critical – and often difficult – input to the process so far.

Despite the current headwinds, I look forward to working with the Mayor and City Council to ensure that the final FY 2025-26 City budget in June reflects community input and priorities and allows the enterprise to work through this challenging moment.

Respectfully,

Michael Jordan
City Administrator

Contents

Letter from City Administrator i
Introduction and Key Takeaways 1
How to Use This Document 1
Key Takeaways 2
Citywide Budget Situation 4
Revenue Changes 5
General Fund Forecast Gap—February Update 5
Portland Bureau of Transportation (PBOT) 7
Portland Parks & Recreation 7
Internal Service Funds 8
Portland Permitting & Development 8
Water and Sewer 8
Expenditure Changes 8
Summary of Budget Proposals 10
Process for Developing Budget Proposals 10
Summary of Budget Concepts and Recommendations 11
Summary of Decision Packages Not Recommended 11
Highlighted Decision Packages 12
Total Impact of Recommended Decision Packages 15
General Fund Impacts 15
Non-General Fund Impacts 17
Potential Staffing Impacts 17
General Fund Overhead Impacts 18
Options for Remaining Budget Gap 18
Current Year Savings 19
Further Expenditure Reductions 20
Additional Revenues 21
Other Fund Highlights 22
Portland Clean Energy Community Benefits Fund 22
Recreational Cannabis Tax Fund 23
Community Police Oversight Board 23

Introduction and Key Takeaways

How to Use This Document

The FY 2025-26 Preliminary Budget Recommendations from the City Administrator contain initial budget concepts, including Decision Packages and other ideas for reductions and increases in budgets for all funds, bureaus, and programs in the City. The budget concepts in this document were prepared by City service areas, in collaboration with the City Administrator and Deputy City Administrators in response to guidance issued by Mayor Wheeler in October 2024, with follow up guidance by the City Administrator in January 2025.

It is expected that additional options for both reductions and additions will come forward through the remaining budget process. This document is similar to the "Requested Budget" documents that were previously produced by each City bureau and put forward each February by their commissioner-in-charge (in the pre-2025 form of government). Under the new post-Charter change organizational alignment, the City Administrator's Preliminary Budget Recommendations offer a single, holistic enterprise version of those previously separate bureau-specific documents.

The Preliminary Budget Recommendations do *not* represent a balanced budget. Under State budget law and City Charter, the Mayor is the first person to present a balanced budget for the fiscal year, and they are required to do so no later than May 5 each year. The purpose of the Preliminary Budget Recommendations are to provide preliminary options and ideas – as developed within and advanced by service areas and then reviewed and vetted by the City's executive leadership team – for consideration by the Mayor, City Council and the public. Input received in response to this document will inform the Mayor's Proposed Budget and then the final FY 2025-26 budget that City Council will adopt in June.

The FY 2025-26 Preliminary Budget Recommendations consist of three parts:

1. An **Overview** document, which is divided into four sections:
    i. The **Citywide Budget Situation** section includes a narrative description of the City's fiscal situation, including revenue changes in the General Fund and other major funds, and significant categories of expenditure changes citywide.
    ii. The **Summary of Budget Proposals** section includes a brief description of the process of developing the initial proposals and summarizes what has been recommended and not recommended at this stage.
    iii. The **Options for Remaining Budget Gap** section describes high-level options for closing the remaining FY 2025-26 budget gap, which include both expense reductions and revenue opportunities.
    iv. The **Other Fund Highlights** section describes status and circumstances related to the Portland Clean Energy Community Benefits Fund (PCEF), Recreational Cannabis Tax Fund and Community Police Oversight Board.

2. **Service Area Summaries**, which are two-page overviews for each of the City's six service areas and the City Administrator's office (plus City Council and the Mayor's Office) summarizing their specific budget situation and proposed changes.
3. **Decision Package Reports and Service Area Budget Documents**, which have detailed budget narrative for every bureau and program in the City, including the overview of the bureau, its programs, and the Decision Packages submitted for consideration.

The **Overview** and **Service Area Summaries** are intended to provide a high-level summary of the budget situation, proposals, and recommendations citywide. The **Decision Package Reports and Service Area Budget Documents** include complete details of all Decision Packages that were submitted and all of the bureaus and programs within each service area.

The Preliminary Budget Recommendations lead into a period of public engagement that include in-district community budget listening sessions at the end of March and beginning of April. During that time the Mayor, City Council, and the public will discuss recommendations and options described in this document alongside other ideas and proposals. No later than May 5, the Mayor will release the Proposed Budget, and City Council will consider amendments before hearing the Approved Budget on May 21 followed by the Adopted Budget on June 11. For up-to-date information about budget events and to provide feedback on this document or any other budget issues, visit Portland.gov/budget.

Key Takeaways

The Preliminary Budget Recommendations are a significant step towards making the choices in the FY 2025-26 budget clearer, but they are not intended to resolve all of those choices or make final decisions.

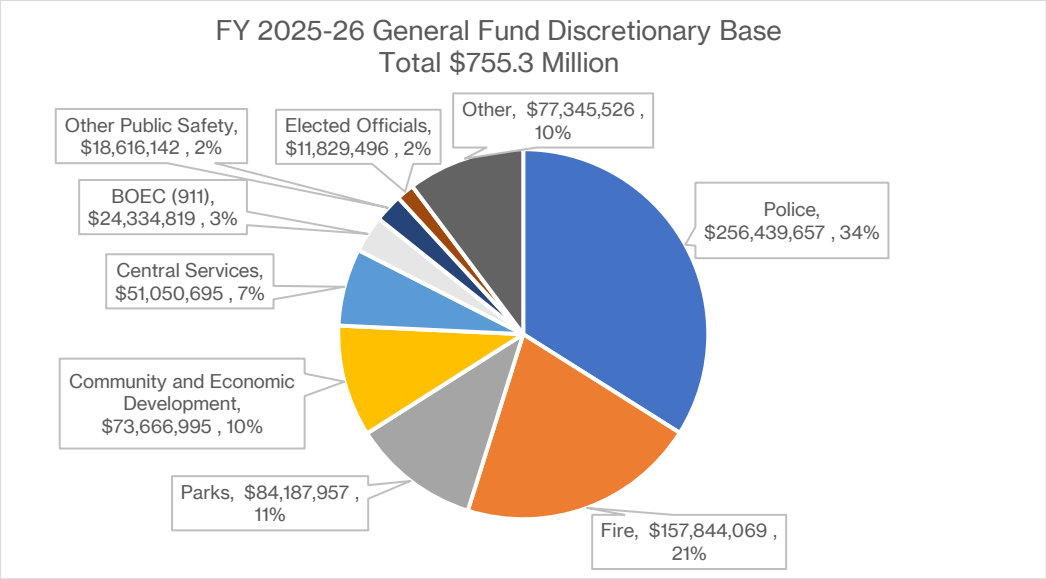
The table on the next page summarizes the General Fund budget gap, including the forecast gap and new additions, the solutions that were recommended as part of Decision Packages, and some additional options that are not yet reflected in Decision Packages. The **Summary of Budget Proposals** section contains more details on each of the lines in the table, as well as additional impacts to bureaus outside the General Fund.

The City Administrator has identified Decision Packages to recommend preliminarily for potential inclusion in the budget. Some reduction packages were not recommended based on anticipated high priorities for the Mayor and City Council. The recommended additions include roughly $30 million to replace expiring one-time funding in areas such as public safety and Portland Solutions, and roughly $41 million in new programming, which includes $28 million for new overnight shelters and day centers.

Gaps and Solutions - General Fund Table. Dollars are in millions.

	Discretionary Ongoing	Discretionary One-time	Total
General Fund Gap to Fill			
Forecast Gap (per updated February Forecast)	$20.0	$1.0	$21.0
Recommended Additions in Decision Packages	$32.7	$39.1	$71.8
General Fund Discretionary Total Gap	**$52.7**	**$40.1**	**$92.8**
Recommended Solutions			
Sum of Recommended Solutions in Decision Packages	($16.7)	($18.7)	**($35.4)**
Remaining Gap Based on Recommended Decision Packages	**$36.0**	**$21.4**	**$57.4**
Options for Closing the Remaining Gap			
Additional reductions in Decision Packages (e.g. Public Safety, Parks, Portland Solutions reductions)	$38.7	$0	**$38.7**
Estimated current year savings	$0	$10.0	**$10.0**
Personnel Reductions	TBD	TBD	**TBD**
Reduce non-represented merit	$0	$1.6	**$1.6**
Additional External Materials & Services reductions	TBD	TBD	**TBD**
Additional Internal Materials & Services reductions	$0.3	TBD	**$0.3**
Additional external revenues	TBD	TBD	**TBD**
Total Potential Solutions	**$40 plus TBD**	**$11.6 plus TBD**	**$55.6 plus TBD**

The chart on the next page demonstrates the major categories that General Fund Discretionary funding supports. The chart shows the FY 2025-26 base budget, which means it includes inflation and approved cost increases, but does not include any potential increases or decreases that are discussed in the remainder of this document. This $755 million can be thought about as the base on which reductions would be made to close the total General Fund gap ($92.8 million) in the table above (noting, however, that some items within the base are legally required and cannot be reduced).



There are significant gaps and recommended reductions in major funds outside the General Fund. The Preliminary Budget Recommendations include a total of over $60 million in reductions across non-General Fund funds including those that support the Portland Bureau of Transportation (PBOT), Portland Parks & Recreation (PP&R), Portland Permitting & Development (PP&D), Bureau of Technology Services, Bureau of Fleet & Facilities, and the utility bureaus.

Citywide Budget Situation

Over the past six months, City staff have continued to gather information about the evolving budget gap for the upcoming fiscal year (FY 2025-26) and have provided communication about the estimated size, characteristics and causes of the expected gap. The most comprehensive presentation about the City's financial situation was during a City Council work session on Oct. 22, 2024[1]. In December, an update to the General Fund forecast (i.e. the "forecast gap" portion of the total budget gap) was published. More recent communications provided further updated information, and an early, high-level preview of many of the concepts discussed in this document. Additional new information has continued to inform the current budget gap as described in the "General Fund Forecast Gap – February Update" section below, and in the table titled "Budget Gaps and Solutions Table" later in the document.

The FY 2025-26 budget gap is driven by a mismatch between projected revenues and expenditures. There are reasons on both the revenue and expenditure side for this mismatch –

[1]Recording: https://www.portland.gov/auditor/council-clerk/events/2024/10/22/fiscal-outlook-work-session
Presentation: https://www.portland.gov/budget/documents/citywide-fiscal-outlook-work-session-presentationoctober-22-2024/download

in short, major revenue sources (e.g. property taxes) have come in lower than previously anticipated, while many major expense categories have increased more than anticipated.

The City's budget includes numerous funds. The General Fund contains the most discretionary types of revenues, while other funds have dedicated revenue sources (e.g. transportation revenues, water and sewer rate revenue, and fee revenues – each of which can only be legally used for specific purposes). The following section describes the budget gap and revenue and expenditure changes for the General Fund and for other major funds in the City.

Revenue Changes

General Fund Forecast Gap—February Update

In the April 2024 General Fund forecast, FY 2025-26 was anticipated to be a tight budget cycle with zero forecasted new ongoing resources available. After the FY 2024-25 budget was adopted, newly adopted expenses combined with a reduction in the property tax forecast contributed to an estimated General Fund budget gap of $21 million in ongoing and $5.8 million in one-time resources in the December 2024 General Fund forecast. In addition to the forecast gap, the full General Fund budget challenge was expected to include an additional one-time expenditure gap (the **General Fund Fiscal Cliff** as described below), plus anticipated additional expenditure increases that were likely to materialize but were unknown at that time.

Since December, there have been a few impactful changes to the General Fund forecast, summarized below. The February forecast update assumes continued federal funding at the levels that have been approved, and no expected significant economic disruptions due to federal policy changes. However, this is a key risk moving forward and will continue to be closely monitored.

Forecast Changes from December to February

- The City's Cost of Living Adjustment (COLA)[2] for FY 2025-26 came in at 2.4%, slightly lower than the previously forecasted rate of 2.7%. This translates to $1 million in ongoing savings for the General Fund. Non-General Fund bureaus will also see forecast improvement because of this lower COLA figure.
- The forecasts for Transient Lodging Taxes and State-Shared Revenue were adjusted downward due to receipts lagging behind prior expectations, and the forecast for Business License Tax revenue was adjusted slightly upwards based upon receipts to date. These updates result in no net impact to the ongoing General Fund forecast gap; however, they reduce the one-time General Fund gap by $1.5 million.
- The forecast for property tax receipts in FY 2024-25 was revised upwards after collection of over 90% of anticipated revenues and the distribution of excess balance

[2] City contracts are tied to the Consumer Price Index for Urban Wage Earners and Clerical Workers for large western U.S. cities (CPI-W West Size A) (as measured by the annual change in the index between the second half 2020 and the second half 2021) for the West Region, size A index, published by the Bureau of Labor Statistics, U.S. Department of Labor.

from the expiration of three Urban Renewal Areas (URA)[3], also referred to as Tax Increment Financing (TIF) districts. The net impact of this update is a one-time General Fund increase of $3.3 million.

Combined, the new **February General Fund forecast gap for FY 2025-26 is updated to $20 million in ongoing and $1.0 million in one-time**. This does not include the "fiscal cliff" items or any expenses—including negotiated labor contracts—that do not yet have a budget ordinance ratified by Council.

Additional Costs Not in the Forecast

Two of the open labor contracts (for the American Federation of State, County and Municipal Employees and the District Council of Trade Unions) are discussed in the **Summary of Budget Proposals** section, below, and were included in Decision Packages. Expected health benefit increases and the labor contract costs above COLA for the City of Portland Professional Workers (CPPW), currently under negotiation, are categories of additional costs that are not yet reflected in Decision Packages because the costs are not known. The General Fund forecast assumes a health benefit rate increase is 8%, which reflects trends with medical plans generally. We know that if the City made no changes to the current health plans, the costs would go up by more than 8%. The City is in the process of considering changes to the health benefit plans that would potentially curb those cost increases.

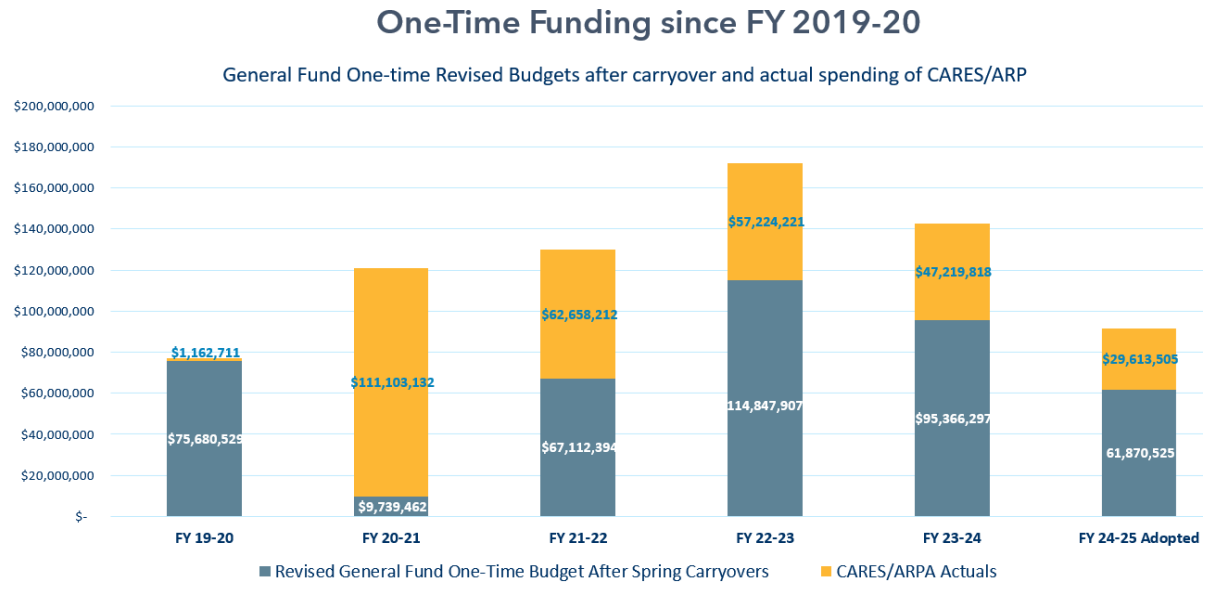
General Fund Fiscal Cliff

The "fiscal cliff" in the General Fund has been a reality for the last two budget cycles and was caused by two primary factors. First is the large influx of federal funding that was available in response to the COVID-19 pandemic and is on track to be spent down entirely by the end of calendar year 2026, as required. That funding primarily supported new or expanded services that were intended to be limited in duration, such as rent support, small business support, and health programming such as vaccine clinics. The largest allocation of those federal dollars went to support the Safe Rest Villages that were planned as a 3-year investment. The plan for funding those after the expiration of the American Rescue Plan Act (ARPA) funding is discussed in the **Summary of Budget Proposals** regarding Shelter.

In addition to the federal funding that is expiring in the next fiscal year, there was a large amount of one-time General Fund revenues available during FY 2021-22 and FY 2022-23, primarily due to an unexpected post-COVID-19 pandemic surge in corporate profits and an associated surge in Portland's Business License Tax (BLT) revenues. Additionally, many businesses overpaid in FY 2022-23 and received large refunds in FY 2023-24—meaning that much of the BLT revenue was accurately categorized as one-time. The December 2024 General Fund forecast describes the current and forecast trend in BLT revenue in depth.

[3] Expiration of URAs happens when maximum indebtedness is reached, or all bonded indebtedness is repaid. The City collects the full amount of property taxes available, and any revenue beyond what is needed to reach either of those thresholds is remitted through the County to the taxpaying jurisdictions. Revenue from the return of these URAs into the tax roll in FY 2024-25 and beyond was already built into the forecast, and thus there is no impact to the ongoing gap.

The total result of this large influx of one-time funding can be seen in the graph below. The "fiscal cliff" reached its peak in FY 2022-23, and since that time, annual budgets have been balanced through a mixture of ending one-time programming, carrying over unspent one-time resources where possible, and identifying other revenue sources to backfill the expiring one-time revenue.



The fiscal cliff in FY 2025-26 is measured as the gap between available revenue and expenses to support current levels of service in programs that have expiring one-time funding.

Portland Bureau of Transportation (PBOT)

PBOT continues to face a significant budget shortfall and projects a need to reduce ongoing expenses or raise revenues by a total of roughly $38 million of General Transportation Revenue to balance their 5-year forecast. General Transportation Revenue is the largest source of revenue for PBOT and is primarily composed of State Highway Funds and Parking funds. State Highway Funds are forecasted to grow little over the 5-year forecast period, and Parking Funds fell precipitously after COVID and have yet to recover to 80% of pre-COVID-19 pandemic levels despite fee increases. Additionally, some areas in which PBOT previously anticipated increased revenues—such as parking revenues tied to increased parking enforcement—have not increased as projected.

Portland Parks & Recreation

The Parks Local Option Levy – a dedicated property tax levy – expires on June 30, 2026. There is a discussion of options for continuing the Parks Levy in the **Options for Remaining Budget Gap** section toward the end of this document. The assumption that was used to develop the Preliminary Budget Recommendations for Parks is that Parks Levy will be renewed at the current rate of $0.80 per $1000 of assessed property value. Under that assumption, Parks will have to make an estimated $23 million in reductions in FY 2025-26 (including General Fund reductions) plus an additional $27 million in reductions in FY 2026-27. There are reasons for this gap on both the revenue and expenditure side. On the revenue side, two General Fund

reductions – 5% in FY 2024-25 and 8% projected for FY 2025-26 – have been absorbed by the Parks Levy, totaling $11.4 million ongoing. Additionally, Oregon property tax law dictates that local option levies are compressed first, meaning that this revenue source is more volatile than the General Fund's property tax revenue. The City Economist's December 2023 forecast saw roughly a $6 million drop in ongoing revenue from the Parks Levy driven primarily by the loss of commercial real estate value in the central city. On the expenditure side, the costs of maintaining current services have increased due to factors including labor costs that increased 35% per hour worked over the first three years of the Parks Levy and increases in costs of the City's internal service providers.

Internal Service Funds

Per the Mayor's guidance, internal service funds were asked to reduce expenses by 8%, which is equivalent to $4.5 million. Resources in the internal services funds pay for things like technology, fleet, facilities, and risk management. Costs of the internal services are passed through to all service areas throughout the City, and the impact bureaus differently depending on their utilization of service and other metrics.

Portland Permitting & Development (PP&D)

Portland Permitting and Development receives most of its revenue from permitting fees, which have declined significantly post-COVID-19 pandemic. In recent years, Portland Permitting and Development has been maintaining core operations largely through use of existing reserves. Without staffing reductions next fiscal year, PP&D projects to draw those reserve balances down to zero. To bring its expenditures in line with its revenues in FY 2025-26, Portland Permitting and Development would need to reduce expenditures by $16.7 million. Portland Permitting and Development's Financial Advisory Committee—which consists of developers, economists, and other subject matter experts—does not anticipate any substantial increase in permitting activity until FY 2026-27, necessitating significant expense reductions in FY 2025-26 to balance the 5-year forecast.

Water and Sewer

Per the Mayor's guidance in October 2024, the Portland Water Bureau and the Bureau of Environmental Services were directed to reduce their combined rate increase to no more than 5.94% above the FY 2024-25 rates, which aligns to a 5% reduction from the combined rate increase as compared to the prior rate forecast. This results in $0.48 cents of savings for the average single-family residential monthly bill, as compared to the increase that was previously forecast. The rate forecast reduction results in around $1 million less revenue for Portland Water Bureau and $1 million less revenue for Bureau of Environmental Services. Additionally, both bureaus note costs rising higher than anticipated as a result of General Fund overhead increases, higher costs of interagency agreements with internal service providers, and updated projections related to recent and ongoing labor bargaining, all of which contribute to further programmatic reductions.

Expenditure Changes

The City Budget Office presented information about the City's fiscal outlook going into FY 2025-26 during a work session on October 22, 2024, which included a discussion of the recent

expenditure trends and the specific pressures for upcoming budget development. These categories of cost increases impact all areas of the City, including the General Fund and other funds to varying degrees based upon the major expense categories within each individual bureau and program. Some brief highlights of that presentation included:

- **General Inflation:** The average inflation rate, as measured by Consumer Price Index for the Western region (CPI-W) over the past six years has been 4.05%. The actual cost of living adjustment, due to a ceiling of 5% in City labor contracts, is slightly lower than the CPI-W, at 3.54%. In addition to general inflation, there have been specific drivers of increased costs above inflation.
- **Personnel costs:** The total costs of the average filled position increased more than 12% above inflation from FY 2014-15 to FY 2023-24. The reasons for this are complex, and include salary increases (both represented and non-represented), health benefit increases, increased Public Employees Retirement System contributions, and increased backfill overtime in the 24/7 public safety bureaus after the COVID-19 pandemic.
- **Internal Services costs:** Internal services are the centrally provided support services including technology, fleet, facilities, and risk management, among others. The internal service fund billings to City bureaus have increased an average of 9.7% per year for the past five years. Some of the reasons for this include large facilities projects such as the Portland Building remodel that began debt repayment during that timeframe; increased costs of cyber security and software (above normal inflation); increased insurance costs; and vehicle cost increases due to both volume and equipment and maintenance for specialized vehicles.
- **Legal obligations:** Costs of several significant legal obligations have increased the City's required expenditures in recent years, including Americans with Disabilities Act compliance (particularly curb ramps); the Flood Safety Benefit Fee[4]; the Portland Police Bureau's Department of Justice Settlement Agreement; and the requirement for the new Community Police Oversight Board to be set at no less than 5% of the Police Bureau budget.[5]
- **Charter transition:** The transition to the new form of government has resulted in higher costs in the near-term due to several factors including additional staff to implement the change and operationalize voter expectations within the new alignment, and one-time costs such as implementing ranked-choice voting, including voter education and engagement and renovating City Hall to accommodate more councilors and their staff.

On top of these increases over recent years, anticipated cost increases beginning in FY 2025-26 have been coming into focus over the past several months. These include potential resolution to three open labor contracts, two of which reached tentative agreements in January and

[4] The Flood Safety Benefit fee is a fee paid to the Urban Flood Safety Water Quality District for rebuilding the Columbia River Levee System. https://olis.oregonlegislature.gov/liz/2024R1/Measures/Overview/SB1517.
[5] https://www.portland.gov/charter/2/10/1004

February 2025. The estimated costs of the tentative agreements are included in the Decision Packages and discussed below. In addition, there are expected to be increased costs of health benefits above typical medical trends again in FY 2025-26. Those costs are still not fully known as of February 2025 and are therefore not included in Decision Packages. These additional costs represent further drivers of expenditures above revenue growth and are not included in the 5-year General Fund forecast. The **Summary of Budget Proposals** section, below, includes additional discussion about how these costs are treated in the Preliminary Budget Recommendations.

Summary of Budget Proposals

This section discusses the budget proposals that were submitted as Decision Packages and the City Administrator's recommendations. The submitted and recommended Decision Packages do not result in a balanced budget. The **Options for Remaining Budget Gap** section discusses potential options for closing the remaining gap. The Mayor's Proposed Budget will be the first opportunity to present a balanced budget (i.e. fully close the gap).

Process for Developing Budget Proposals

In October 2024, then-Mayor Wheeler issued budget guidance that directed General Fund bureaus to bring forward reductions of 5 to 8%. The guidance at that point excluded the 24/7 public safety bureaus – Portland Police Bureau (PPB), Portland Fire & Rescue, and the Bureau of Emergency Communications – as well as legal obligations. In January of this year, the City Administrator requested information about cuts from the three previously exempt public safety bureaus.

In fall 2024, the City's executive and financial leadership (the City Administrator, Deputy City Administrators, the City Budget Office, Office of Equity & Human Rights and financial leadership within each service area) developed a new process for gathering and vetting a collaborative set of budget concepts for the City Administrator, Mayor, City Council and the public to consider.

Service areas assessed priorities and identified concepts that could be proposed for budget adjustments. Considerations included eliminating potential inefficiencies or redundancies, as well as program reductions, staffing reductions (including vacancies), reductions to external materials and services, streamlining use of underutilized assets, and organizational realignments.

The Office of Equity issued guidance, reflected in the budget manual, which directed service areas to prioritize equitable community outcomes and workforce demographics while developing their budgets. Service areas worked with equity practitioners to consider budgetary impacts to systemically excluded and institutionally oppressed communities. Additionally, the Office of Equity carried out an equity analysis on all submitted budget concepts and worked alongside the City Administrator and Deputy City Administrators in evaluating possible budget reductions for the upcoming fiscal year.

The City Administrator, with support from the City Budget Office and the City's Chief Financial Officer, then reviewed the submitted Decision Packages and other concepts for recommendation in this document as further described in this document.

As noted elsewhere, the Decision Packages (recommended or not) do not represent the totality of budget adjustment options. It is anticipated that additional concepts and opportunities will come forward through upcoming community conversations and development of the Mayor's Proposed Budget.

Summary of Budget Concepts and Recommendations

The submitted budget concepts are represented in "Decision Packages." Decision Packages are a combination of narrative and financial data that collectively convey what each proposed budget change – either reduction or addition – includes. The total of the Decision Packages shows how the expenditures and revenues within each fund, bureau, and program would change if the Decision Packages were to be accepted as submitted in the Adopted Budget.

All submitted Decision Packages are included with full details in the attached **Decision Package Summary Reports** and are also discussed in the **Service Area Summaries**. The City Administrator has identified Decision Packages to recommend preliminarily for potential inclusion in the budget. Some reduction packages were not recommended based on anticipated high priorities for the Mayor and City Council. There is a remaining budget gap after the recommended Decision Packages, and the Mayor and City Council may consider moving forward with Decision Packages that were not recommended at this time to help balance the FY 2025-26 budget.

Summary of Decision Packages Not Recommended

The Decision Packages that were not recommended are summarized in the table on the next page. The amount column refers to the amount in the Decision Package that was proposed to be reduced or added and is not included in the City Administrator's recommendations.

Decision Packages Not Recommended Table. Dollars are in millions: proposed to be reduced in (red) or added in black.

Service Area	Description of Decision Packages Not Recommended	Amount (all funds)	Brief Impact of Not Recommending the Decision Packages
City Administrator	Portland Solutions reductions (Impact Reduction Program and Portland Environment Management Office)	($0.64)	Preserves Portland Solutions capacity. Recommendations also include backfilling the expiring one-time funding in these programs (discussed more in Service Area Summary).
City Operations	311 reduction	($0.23)	Maintains current operating hours for 311.
Public Safety	Reductions to 24/7 public safety operations (Police, Fire, 911)	($35.7)	Preserves staffing for 24/7 public safety bureaus. Recommendations include some of the requested expiring one-time funding for Police and Fire (discussed in next section).
	Portland Street Response reduction	($0.54)	Preserves staffing in Portland Street Response. Recommendations include backfilling expiring one-time funding (discussed in next section).
	Eliminate Safe Blocks program	($1.0)	Preserves Safe Blocks program.
	Add 10 Fire Fighters	$1.4	Maintains existing fire fighter positions but does not expand them.
Public Works	General Fund subsidy to Portland Bureau of Transportation	$3.0	Does not backfill one-time General Fund subsidies in the FY 2024-25 budget that were transferred to mitigate reductions in Portland Bureau of Transportation.
Vibrant Communities	Parks cleaning reductions	($1.4)	Preserves cleaning in parks and restrooms.
	Parks operating hour reductions	($0.23)	Maintains operating hours of community centers and sports/aquatic facilities.

Highlighted Decision Packages

All Decision Packages are included in the **Service Area Summaries** attached, with a complete **Decision Package Summary Report** attached to this document. This section includes a brief summary of several Decision Packages that were submitted at a citywide level or deserve additional explanation. This is not an exhaustive list of all Decision Packages that will be of interest to the public; please refer to the **Service Area Summaries** for more information on what was recommended.

- **Enterprise efficiencies:** The budget proposals include a "placeholder" Decision Package for ongoing work to analyze and identify efficiencies in seven core services that span the City organization: procurement, human resources, technology, budget and business operations, communications, engagement and equity. Building off existing work, project teams are engaging with subject matter experts to analyze key processes, identify opportunities for better service delivery and elevate strategies that already work well, while streamlining duplicative efforts and aligning around citywide approaches. We are building systems that treat the City of Portland as one cohesive organization, rather than a collection of smaller organizations. The Decision Package estimates $1.7 million in savings across these projects – a number that will be updated prior to the Mayor releasing his Proposed Budget in early May.

  This Decision Package also includes a preliminary target for elimination of one Deputy City Administrator position and one support position for a total budget reduction of $280,000 General Fund discretionary and $370,000 of General Fund overhead, which is paid by non-General Fund bureaus. Assessment of the details of reducing the number of service areas is underway, with actual cost impacts yet to be determined. The Mayor's Proposed Budget will include more detail regarding the specifics related to this reduction concept.

- **Portland Clean Energy Community Benefits Fund Interest:** There is a Decision Package for $18.7 million of interest being transferred from the Portland Clean Energy Community Benefits Fund to the General Fund. This amount is based on the audited final interest accruals to PCEF in FY 2023-24. Interest accrued in Portland Clean Energy Community Benefits Fund based on its fund balance throughout the course of the fiscal year. The interest amount is not required to support Portland Clean Energy Community Benefits Fund's spending plan over the next five years. It is treated as a one-time transfer to the General Fund. The Portland Clean Energy Community Benefits Fund Committee was briefed in January, and the Service Area will bring a proposed code amendment package needed to implement this change to City Council in spring 2025.

- **Labor contracts:** The two tentative agreements for union contracts that were reached in January and February of 2025 – the American Federation of State, County and Municipal Employees (AFSCME) and the District Council of Trade Unions (DCTU) – are included in Decision Packages. Currently, the Decision Packages are placeholders that only account for the General Fund portion of the costs of those agreements. After the agreements are approved by City Council, the Decision Packages will be updated and entered into the budget of each bureau that is impacted by the agreements. The City of Portland Professional Workers (CPPW) contract, which is currently being negotiated, does not have potential cost increases reflected in the budget recommendations at this point, as agreement has not yet been reached. The costs of all three labor contracts will be reflected more completely in the Mayor's Proposed Budget.

- **Shelter:** There are three Decision Packages related to costs of shelter: "Portland Solutions Alternative Shelter Add Package," for existing City alternative shelter sites, "Portland Solutions Sunderland Add Package," and "Portland Solutions Overnight Shelter Add Package."

  The Alternative Shelter Decision Package reflects the costs of continuing to run all of the previously planned City Alternative Shelter sites for another year. The total cost of that Decision Package is $41.6 million. Of that amount, the program currently estimates that roughly $10 million could be covered by carryover of current-year budgeted funds. The remainder of the required funding in the Decision Package is budgeted as an external revenue, assuming Multnomah County pays for these sites as per the existing Homeless Response System inter-governmental agreement (IGA) between the City and County. However, discussions between the City and the County regarding this agreement are ongoing, and any adjustments to that agreement will be reflected in the Mayor's Proposed Budget.

  The Sunderland RV site was slated to close in 2025 and therefore was not reflected in the Homeless Response System IGA as one of the ongoing sites. The "Sunderland Add Package" represents the cost of continuing to operate the Sunderland site through FY 2025-26.

  The "Portland Solutions Overnight Shelter Add Package" represents the estimated costs of opening and operating 1,500 additional nighttime shelter beds and four district-based day centers with day storage for the full fiscal year in FY 2025-26. At this time, conversations are ongoing with multiple external partners regarding possible partial funding for these proposed shelters. Additionally, City staff are refining the cost estimates for FY 2025-26. Both the total cost and the required General Fund Discretionary funding for FY 2025-26 will be updated in the Mayor's Proposed Budget.

- **Public Safety Additions:** The City Administrator recommended both additions and reductions within Public Safety broadly. Additions include backfilling expiring one-time funding within the Office of Violence Prevention, Ceasefire, Portland Street Response, and the Focused Intervention Team Community Oversight Group, and adding funding for two-shift staffing in Portland Street Response, and costs within the Police Bureau for the City's legal obligations Department of Justice settlement agreement. Reductions include directed reductions to the Portland Bureau of Emergency Management and the Public Safety Support Services. For Portland Fire Bureau and the Bureau of Emergency Communications, the recommended Decision Packages allow them to maintain full staffing in FY 2025-26.

  For the Portland Police Bureau, the recommended addition of $8 million (which is a reduction from the $9.3 million that was originally submitted by the bureau) would keep the bureau at roughly at the same staffing level as in FY 2024-25 but would not allow for staffing up to the currently authorized FTE of 881 sworn staff. The reduction to the requested addition would require a reduction of spending

equivalent to 15,000 overtime hours in FY 2025-26 as compared to FY 2024-25. The bureau projects that the recommended level of funding would require continuing to have approximately 100 unfunded sworn positions. Managing those unfunded vacancies would require the bureau to reduce overtime hours or other expenses, and/or begin eliminating unfunded vacant positions.

- **Americans with Disabilities Act Curb Ramp Financing:** As part of a prior legal settlement with the Civil Rights Education and Enforcement Center (now known as Disability Law United), the City is obligated to annually complete a designated number of curb ramp replacements or remediations for compliance with the Americans with Disabilities Act. This work is managed by Portland Bureau of Transportation and receives funding from a combination of PBOT's transportation revenues and contributions from the General Fund. A potential financing strategy – subject to authorization of debt issuance by City Council – would finance a portion of projected construction costs using a full faith and credit bond issuance to be repaid over an estimated 15-year timeframe. While this would extend the total repayment timeframe, it would also produce one-time cashflow relief of approximately $6 million (estimated) in FY 2025-26 to the General Fund and $12.8 million estimated one-time amount to aid in addressing the current Portland Bureau of Transportation budget gap.

Total Impact of Recommended Decision Packages

The impacts of the Preliminary Budget Recommendations are summarized below, broken out by General Fund Impacts, Non-General Fund Impacts, Potential Staffing Impacts, and General Fund Overhead Impacts. The **Options for Remaining Budget Gap** section, below, discusses ways that the Mayor and City Council could choose to close the remaining gap.

General Fund Impacts

The table below shows the amounts of the recommended Decision Packages, and their collective impact on the budget gap in the General Fund.

Budget Gaps and Solutions Table. Dollars are in millions: positive impacts in black and negative impacts in (red).

Gap to Fill	Discretionary Ongoing	Discretionary One-time	Total
Forecast Gap (per updated February Forecast)	**$20.0**	**$1.0**	**$21.0**
Recommended Additions in Decision Packages	**$32.7**	**$39.1**	**$71.8**
Fiscal Cliff	$21.1	$8.4	$29.6
New Addition	$10.2	$30.6	$40.8
Legal Obligation	$1.4	$0.0	$1.4
General Fund Discretionary Total Gap	**$52.7**	**$40.1**	**$92.8**
Recommended Solutions	**Discretionary Ongoing**	**Discretionary One-time**	**Total**
Recommended General Fund Expenditure Reductions	($16.7)	$0.0	($16.7)
Additional Revenue: PCEF Interest Decision Package		($18.7)	($18.7)
Sum of Recommended Solutions	**($16.7)**	**($18.7)**	**($35.4)**
Remaining Gap to Close (based on recommendations)	**$36.0**	**$21.4**	**$57.3**

The Gap to Fill section at the top of the table includes the Forecast Gap as well as additions that increase the total amount needed to balance the General Fund. The Forecast Gap in this table is based on the updated February General Fund Forecast, which is discussed in the **Citywide Budget Situation** section above. The Recommended Additions in Decision Packages are broken down into three categories:

- The Fiscal Cliff represents the cost of continuing programs in FY 2025-26 that have one-time funding expiring in FY 2024-25 such as the Office of Violence Prevention that received American Rescue Plan funding. This is discussed further in the **Citywide Budget Situation** section above.
- New additions are expansions or additions of programming, which include an estimated $28 million of costs for overnight shelters, as well as an expansion of Portland Street Response, among other Decision Packages.
- The costs of the legal obligation are related to the Department of Justice Settlement Agreement in the Portland Police Bureau.

The Solutions portion of the table shows recommended reductions and additional revenue sources. The total General Fund discretionary reductions are $16.7 million, and the additional revenue represents a transfer of $18.7 million from PCEF that was earned in interest in FY 2023-24. After those solutions, the remaining gap in the General Fund is $57.3 million. Options for closing that remaining gap are discussed in the **Options for Remaining Budget Gap** section below.

Non-General Fund Impacts

The Non-General Fund reductions and additions are shown in the table below. This table includes the amount that needs to be reduced either because of forecasted revenue shortfalls or because of direction included in the Mayor's budget guidance (e.g. to reduce the rate increase for the utilities). The table also shows the total reductions that were included in recommended Decision Packages, as well as the total revenue. Importantly, this table includes a mix of different funding sources that are found in each of these funds, *including some General Fund resources*. Therefore, these amounts ***cannot*** be added to the General Fund gap table above.

Non-General Fund Impacts Table. Dollars are in millions: additions in black; reductions in (red). The Forecast Gap/Directed Reductions amounts are not necessarily the sum of the reductions and additions/new revenue columns.

Major Non-GF Fund	Forecast Gap or Previously Directed Reductions	Reductions in Recommended Decision Packages	Recommended Additions/New Revenue
Parks (Parks Levy & General Fund)	**($23)**	($18.6)	$2.9
Internal Services (Fleet, Facilities, Technology, Risk)	**($4.5)**	($4.5)	$25.7
Development Services Fund	**($16.6)**	($16.2)	$0.4
Transportation Fund	**($41.9)**	($22.2)	$19.8
Water Fund	**($2.4)**	($2.4)	-
Sewer Fund	**($1.1)**	($1.1)	-

The Transportation Fund, which is managed by PBOT, was able to offset a portion of their required reductions by recognizing savings. Those savings are due largely to the Americans with Disabilities Act Curb Ramp Financing, which is discussed in the **Highlighted Decision Packages** section above.

The Internal Services Funds are recognizing $23.3 million of additional funding from a PCEF grant for electric vehicle infrastructure, which is described in the **Other Fund Highlights** section below. The addition reduces the amount of debt financing that was budgeted in the FY 2024-25 budget for the City Fleet Headquarters relocation. The costs of debt repayment would otherwise have been paid by customer bureaus (e.g. PBOT, PPB), so the costs to those bureaus of the infrastructure investment will be lower due to this PCEF grant.

Parks expects to make additional reductions depending on the Parks Levy renewal rate, which is discussed further in the **Options for Remaining Budget Gap** section below.

Potential Staffing Impacts

The recommended Decision Packages citywide (all funds) include roughly 274 position reductions and 103 extensions or additions. In most cases, the additions and extensions do not offset the reductions, because they are different positions. The table below shows the breakdown of position changes by service area.

Potential Staffing Impacts Table. Reductions are in (red); additions, extensions, and realignments in black.

Service Area	Ongoing Position Reductions	Position extensions & realignments	New Positions[6]	New Position Funding Source
Budget & Finance	(4)	0	-	
City Administrator	(6)	8	-	
City Council & Mayor	-	-	20	General Fund (overhead)
City Operations	(6)	1	11	PCEF and General Fund
Community & Economic Development	(88)	2	18	PCEF & grant funding
Public Safety	(5)	23	13	General Fund (discretionary)
Public Works	(113)	6	-	
Vibrant Communities	(52)	-	1	PCEF
Total	**(274)**	**40**	**63**	

The numbers in the table above are expected to shift between now and the Mayor's Proposed Budget. Many of the positions that are being reduced are currently vacant, and the City does *not* expect that these reductions will result in 274 layoffs. This information will continue to be updated as more details are known.

General Fund Overhead Impacts

The total of the recommended Decision Packages include a net increase of approximately $9.5 million of General Fund Overhead costs, which are shared by all funds citywide. The General Fund pays approximately 40% of the total cost, or $4.2 million of these Decision Packages, and the remaining $5.4 million is paid by other funds. This net increase in overhead includes a total of $10.5 million for additional City Council funding, approximately $750,000 for additional Mayor staffing, and $1.1 million for additional council operations staff, night meetings, and 311 program for City Council constituent services. The net change also includes the requested cuts to General Fund overhead programs including Special Appropriations, PBEM, the City Administrator and Assistant City Administrator, Central Communications, Human Resources, Office of Equity, Budget and Finance, and the City Operations Office of the Deputy City Administrator.

Options for Remaining Budget Gap

The included Decision Packages as described in the section above – both additions and reductions – still leave a remaining gap that will need to be closed to develop a balanced

[6] This includes both permanent and limited duration positions.

budget as required by State budget law. The remaining budget gaps can be addressed through reductions to expenditures, increases in revenue, or a combination of both. This section discusses some additional potential budget solutions that could be used, but that require further analysis and conversation before they could be reflected as Decision Packages.

These options could apply to all funds citywide, but the totals in the table below focus on the potential impacts to the General Fund.

Options for Remaining Budget Gap Table. Dollars are in millions.

Description	Estimated General Fund Discretionary Amount
Reductions included in Decision Packages that were not recommended in the Preliminary Budget Recommendations (see **Summary of Budget Proposals** section)	$38.7
Current Year Savings Estimate (to be updated in Spring)	$10 (est.)
Personnel reductions	TBD
Non-represented merit pay reduction	$1.6
Additional External Materials & Services reductions	TBD
Additional Internal Materials & Services reductions	$0.3
Additional Revenues	TBD

Current Year Savings

One option to close the budget gap is to use current year (FY 2024-25) savings, including remaining contingency funds. Any current year savings would be exclusively one-time funding. The Adopted Budget typically includes some amount of prior year underspending, which per financial policy, should be used to support expenses that are temporary, rather than ongoing. In April, the City Budget Office will have a more exact estimate of current year underspending that could be applied to the FY 2025-26 budget. As of February, the projection of current year underspending that could be repurposed for FY 2025-26 is roughly $10 million. However, that could go up or down depending on both policy decisions and events outside the City's control (e.g. severe weather events).

Policy decisions could increase the amount of current year underspending by reducing spending. Previously, in August 2024, the City Administrator released initial guidance to bureaus to restrict spending in FY 2024-25 with the goal of generating one-time savings that could help to address the shortfall in FY 2025-26. Those strategies included limiting reclassifications and hiring for vacant positions. Additional policy decisions could include furloughs, hiring freezes, and restrictions on travel or other external materials & services. These strategies are currently being considered by the Mayor and City Administrator, and the City Budget Office is developing estimates of the savings that could be generated under various scenarios.

Further Expenditure Reductions

Further reductions to expenditures will likely be needed to balance the FY 2025-26 budget. This section describes options for doing so *beyond what is reflected in the Decision Packages*. Each of these would need to be further developed to generate line-item detail before it could be included in the budget.

- **Personnel reductions**
    - **Span of control:** Span of control refers to the number of people supervised by each manager or supervisor in the City. The Bureau of Human Resources and the City Budget Office are analyzing the spans of control and depth of management across the City to identify inconsistencies and areas where the number of managers is potentially misaligned with the number of employees under management. Additionally, the City Budget Office is analyzing the current funding mix for these manager positions to estimate potential savings to each fund if management positions were to be reduced. This analysis is expected to be completed in April so that it can be used to inform additional potential decisions in the Mayor's Proposed Budget.
    - **Vacancies:** In addition to the roughly 274 positions proposed for reduction through the recommended Decision Packages, the City Budget Office and Bureau of Human Resources are estimating how much possible savings could be generated through holding any remaining vacancies through FY 2025-26. Not all vacancies represent true savings as there are some positions that do not have actual funding but exist in the budget for positional authority in the event that funding can be identified later. Additionally, there is always natural turnover in positions which means that at any given time a certain percentage of all positions are likely to be vacant as recruitment efforts are underway. This analysis is also expected to be completed in April so that it can inform potential additional reductions in the Mayor's Proposed Budget.
    - **Non-represented Employee Merit Raises:** Forgoing merit wage increases for non-represented employees in FY 2025-26 would produce an estimated $1.6 million in ongoing cost reduction for the General Fund, as well as additional savings for other funds.
- **External Materials & Services reductions:** The City Administrator's recommendations include reductions of roughly $10 million of External Materials and Services funded by General Fund resources, and roughly $28 million of External Materials and Services funded by non-General Fund resources. In addition to these proposed reductions, the City Budget Office will continue analyzing trends in External Materials and Services spending with the goal of identifying potential External Materials and Services underspending that could be used on either a one-time or ongoing basis. This type of projection is a standard part of the spring budget monitoring and will likely be part of the current year underspending that is included in the FY 2025-26 Mayor's Proposed Budget. The Mayor or City Council may

additionally choose to look for a target reduction percentage across the board to unencumbered External Materials and Services (though some exceptions would be required). The City Budget Office can support analysis on the potential impacts of such an action, which would likely be significant in some areas.

The City Budget Office is also analyzing specific categories of External Materials and Services spending, such as professional services. Many of the largest professional services contracts that the City holds are for construction and capital projects in the public works bureaus. The City Budget Office is analyzing other types of professional services work that the City contracts for and whether any of it could be done more economically through available staff.

- **Internal materials & services reductions:** The recommended Decision Packages include $4.3 million of reductions to expenses that are supported by internal services rates. These include 139 vehicle reductions in City Fleet, and $2.6 million in software and technology reductions. Additionally, City Operations is researching the option to further reduce fleet vehicles, the number of total cell phones used by city staff and reducing the use of high-cost software as much as possible. Current estimates indicate that these additional reductions could produce approximately $1 million in savings citywide (roughly $0.3 million of General Fund Discretionary). City Operations is developing more detailed options to include these additional reductions in the Mayor's Proposed Budget.

Additional Revenues

Other sources of revenues are under discussion that could potentially impact FY 2025-26, including the Parks Levy renewal as discussed further below. Additional revenue concepts under preliminary consideration include potential increases to parking fees, alternative revenue options to cover the City's legal obligation to pay the Flood Safety Benefit fee related the Columbia River levee, and potential external resources for sheltering priorities. In order to include these potential revenue sources in the FY 2025-26 budget, City Council would need to have confidence prior to budget adoption that the new revenue was likely to be received by the City in the coming fiscal year.

Parks Levy Renewal: The Parks Levy expires June 30, 2026. If the Parks Levy is renewed at its current rate, $0.80 per $1,000 of assessed value, Parks would require an additional $27 million in reductions in FY 2026-27 on top of the $23 million of recommended cuts in the Preliminary Budget Recommendations for FY 2025-26. In total, those cuts would represent about 25% of the services funded by Parks General Fund and Parks Levy. If the Parks Levy were not renewed, Parks would need to reduce an additional $77 million in FY 2026-27 on top of the $23 million FY 2025-26, which is equivalent to 50% of services funded by Parks Levy and General Fund. Alternatively, if the Parks Levy were passed at a $1.60 rate, many of the cuts in the Preliminary Budget Recommendations could be avoided. The timing of decision-making matters, with personnel layoffs and service reductions set to begin July 1, 2025.

The reductions that are included in the Preliminary Budget Recommendations will take effect on September 1, 2025 rather than July 1 to preserve summer programming. If desired, Council

can choose to maintain current service levels further into the year by pulling additional funds forward in the fiscal year. Further delaying the cuts would prevent implementation of cuts that a higher levy rate would make unnecessary if it were passed. It is important to note that pulling additional funds forward would require new, deeper cuts later in the year if a levy were not referred for November or were not successful at the ballot. Council may wish to consider potential levy rate options when determining the level of service to preserve in FY 2025-26.

Other Fund Highlights

Portland Clean Energy Community Benefits Fund

The Portland Clean Energy Community Benefits Fund (PCEF) allocates resources collected from the Clean Energy Surcharge, a 1% surcharge imposed on large retailers for retail sales within Portland city limits for community grants as well as some City bureaus. Allocations are intended to be made in accordance with the 5-year Climate Investment Plan, which was last updated in December 2024.

The Preliminary Budget Recommendations includes some variation from the Climate Investment Plan as currently adopted by City Council. First, as directed by a budget note in the Adopted FY 2024-25 Budget, the City Budget Office and the PCEF team worked with bureaus to reframe some 5-year allocations to be ongoing, annual allocations that increase with inflation. These include $7 million for Urban Forestry in Parks, $7.4 million for streetlights programming in PBOT, and $14.3 million for two projects in the Bureau of Environmental Services. This results in some small differences in the expected annual amount for each program and sets an expectation that these allocations will continue into future Climate Investment Plans and be generally assumed into the base budget at the beginning of each budget development process.

There is one new request addition of Portland Clean Energy Community Benefits Fund resources in the budget that was awarded through the Collaborating for Climate Action process led by the Portland Clean Energy Community Benefits Fund. The Bureau of Fleet and Facilities was awarded $5 million for electric vehicle infrastructure. The table on the next page breaks down the total Portland Clean Energy Community Benefits Fund allocations that are included in the budget at this point for City bureaus and community partners.

Bureau Allocations Table.

Bureau Allocations	FY 2025-26 Budget
Housing	$ 29,594,596
Parks	$ 17,332,961
Transportation	$ 38,046,504
Water	$ 3,838,112
Fleet & Facilities	$ 29,591,040
Environmental Services	$ 15,612,062
City Budget Office	$ 157,500
City Administrator	$ 450,000
Bureau of Planning & Sustainability	$ 791,250
Sub-Total	**$135,414,025**
Fund Programming	
PCEF Strategic Programs	$ 47,142,194
Community Resource Grants	$ 119,000,000
PCEF Program Expenditures	$ 20,882,137
PCEF Administrative Expenditures	$ 17,263,752
PCEF Contingency	$ 581,004,448
Total	**$ 920,706,556**

Recreational Cannabis Tax Fund

The Recreational Cannabis Tax Fund, which receives revenue from a 3% tax on cannabis sales in Portland, has seen declining revenues and high volatility in recent years. Due to larger than anticipated declines in the City's Recreational Cannabis Tax revenue, 5% reductions were made to ongoing allocations of the funds in FY 2023-24 and the Recreational Cannabis Tax Fund received an interfund loan of $800,000 from the Solid Waste Management Fund to ensure a positive fund balance at the end of the fiscal year. After receiving the first two quarterly revenues in FY 2024-25, the City is expecting to need an additional interfund loan to maintain positive fund balance through the end of FY 2024-25 and is planning for a one-time reduction of 20% in the Recreational Cannabis Tax Fund in FY 2025-26. The estimated FY 2025-26 reduction of approximately $1.2 million is expected to impact Portland Bureau of Transportation, Prosper Portland, and the Portland Housing Bureau. The City Administrator's recommendations maintain the full allocation of Recreational Cannabis Tax funds for Portland Street Response. These reductions in this fund are expected to be only one-time for FY 2025-26, barring unforeseen circumstances.

Community Police Oversight Board

The Community Police Oversight Board is required by City Charter Section 2-1004 and City Code Chapter 35.20.030 to be funded proportional to no less than 5% of the Police Bureau's Annual Operational Budget in the Adopted Budget. In FY 2024-25 this amount was approximately

$14.75 million which was accounted for across the budgets for the Office of Community-based Police Accountability, the Independent Police Review, and the set-aside account for the Community Board for Police Accountability. This was done to meet the funding requirements of City Charter while recognizing the uncertain timeline for establishment of the Community Board for Police Accountability and the Office of Community-based Police Accountability. Since the Oversight System (which includes both the Community Board for Police Accountability and the Office of Community-based Police Accountability), will replace the Independent Police Review, the budget for the Independent Police Review will be part of the total funding for the Oversight System.

For FY 2025-26, 5% of PPB's budget based on the Preliminary Budget Recommendations would amount to approximately $15.9 million, which is included in the recommendations. Any additions or cuts to the Police Bureau's operational budget would result in a change equivalent to 5% of the adjustment to the Police Bureau's budget to meet the Charter and Code requirements for funding of the Oversight System. Updated figures for the Oversight System will be included in the Mayor's Proposed Budget.