



Office of Mayor Ted Wheeler
City of Portland

August 5, 2024

Dear City Administrator Michael Jordan, Deputy City Administrator Jonas Biery, and Budget Director Ruth Levine,

As Portland transitions to a new form of government, we must continue to lay the foundation for financial stability and prioritize resolving the City's long-term financial challenges. As such, the current year budget must be managed judiciously as we prepare for a new slate of elected leaders to take office in January 2025 and another difficult budget process for Fiscal Year 2025-26.

Fiscal Outlook

The Fiscal Year 2024-25 Adopted Budget made progress on important issues including charter reform implementation, public safety, livability programs (including the newly established Portland Solutions team), permitting improvement through Portland Permitting & Development, the structural budget gap in the Portland Bureau of Transportation, and citywide obligations including a new police oversight system.

Unfortunately, the next fiscal year is expected to be at least as difficult as the last. The City's revenues are projected to be potentially lower than prior forecasts, and we are facing significant pressure on our ongoing costs. Health benefit rates increased this fiscal year, and we anticipate further increases in FY 2025-26 and beyond. We have legal obligations that require ongoing funding, as well as continued budget pressure due to major capital projects in progress and expiring one-time funding. Each service area has funds with gaps between their projected costs and revenues, from the General Fund to the Transportation Fund, Parks Levy, and Portland Permitting & Development Fund.

After taking office next January, the new City Council and Mayor will make important decisions about how to balance the budget for the fiscal year beginning July 1, 2025. In the meantime, our obligation this fiscal year is to identify efficiencies, reduce expenses where possible and reasonable, and limit cost increases while maintaining critical services.

I am directing the City Administrator to work with the Deputy City Administrator of Budget & Finance and the City Budget Office, to recommend options for limiting current fiscal year expenses. Reducing expenses now will help alleviate pressures for FY 2025-26 and beyond. We will also look at any opportunities to use other resources, including unencumbered

American Rescue Plan Act dollars, to support core City operations. Detailed budget guidance for the current fiscal year will be provided by the end of August 2024.

I will work with the City Administrator to develop initial budget guidance for FY 2025-26 for release in mid-October, with the expectation that the Mayor-elect will have an opportunity to provide input and refinements after the November election. Given the fiscal picture, the reductions required for the coming fiscal year will be similar to – and potentially deeper than – the reductions that were required to balance the budget for FY 2024-25. In preparation, staff should start identifying efficiencies and eliminating duplicative operations and costs now.

FY 2024-25 Fall Budget Monitoring Process (“Fall BMP”)

For the fall supplemental budget – to be brought before City Council for approval by the first week of October, I am directing the City Administrator, the Deputy City Administrator of Budget & Finance, and the City Budget Office to put forward recommendations that reserve as much available one-time funding for the FY 2025-26 budget process as possible.

Bureaus should expect no new General Fund resources for current year one-time needs. Any exceptions will be identified and evaluated by the Assistant City Administrator and Deputy City Administrators and presented to me and the City Administrator before they are entered as Fall BMP decision packages.

The City Budget Office will follow up with bureaus no later than August 16, 2024 with more detailed technical and process information about the Fall BMP.

Budget Process Changes

As we shift to a more centralized executive structure, this year’s fall budget monitoring process and beginning stages of FY 2025-26 budget development process will be the first time the City develops budgets with the Mayor working alongside the City Administrator, guided by the recommendations from Deputy City Administrators and the Assistant City Administrator.

I expect the City Leadership Team (City Administrator, Assistant City Administrator, and Deputy City Administrators) to ensure that we utilize a citywide lens, which is particularly important given this constrained budget environment. The City Leadership Team will collectively vet and weigh bureau and service area budget proposals before they bring forward the FY 2025-26 Requested Budget. Any new funding needs must be weighed holistically against reductions that will be required to free up resources.

As the budget process evolves, the opportunities for public involvement should also change. Historically, the City has convened Bureau Budget Advisory Committees to gather public input for bureau requested budgets. As we move into a more collaborative and unified

service area structure, BACs at the bureau level are no longer required. While the City moves toward a new service area engagement structure, this year, some bureaus have existing bureau budget committees that may provide important input if bureaus choose to use them. I am directing the City Administrator and Assistant City Administrator to work with the budget office to recommend a new process for community engagement in the budget beginning for FY 2025-26 budget development, recognizing that this approach will evolve over the next several years.

It is also important that the budget has a strong foundation of performance and equity. As we prepare for the upcoming budget process, I am directing the City Budget Office to work with the City Leadership Team to incorporate performance measures for each of the Council priorities of public safety, homelessness, livability, and economic recovery as well as the lenses of climate, equity, and government effectiveness. Several performance measures for each priority and lens should be tracked and used for decision-making over the next year. The Office of Equity and Human Rights will collaborate with the City Budget Office and the City Leadership Team to re-envision how equity can be better incorporated in the new budget process.

I am grateful to City staff who work tirelessly and creatively to solve problems and deliver services in our community every day. They will be instrumental in leveraging our new form of government to take short-term financial actions and develop long-term strategies to meet Portland's needs. Thank you for your leadership.

Thank you again.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ted Wheeler', with a long horizontal line extending to the right.

Mayor Ted Wheeler