



The Unified Voice of Portland's Workforce Offers the Portland City Council, Mayor Wilson, and City Administrator Lee Its 2026-2027 Budget Strategy

Your union partners are aware of the revenue and budgetary issues confronting Portland's leaders. We understand that forecasted revenues for the coming year, one-time expenditures, and other budgetary pressures on the General Fund, as well as for restricted funds, are challenging. As our group of city union leaders shared with you a year ago, these times call for budgetcraft that uses all available tools – and not just cuts and layoffs – to invest in a revitalized Portland.

We believe that a combination of strategies offers an alternative to job cuts, enabling the Mayor and Council to develop a budget plan that continues to serve our city's needs and protect its most valuable resource: its people. We are well-positioned to partner with you in this budget problem solving project.

Our labor coalition shares the city's goals of transparency and accountability. Additional values ought to be a part of prudent fiscal management, including honest and thorough efforts to reduce wasteful policies and practices; a buy-local ethic whenever possible; a meaningful movement to eliminate contracting out city work that is doable by employees; a hard and renewed look at management bloat; and a fair and functional plan to deploy revenue solutions to close the funding gaps, including creative fund transfers, the use of reserves, and the implementation of new revenue strategies by the legislative branch. We urge the Mayor, City Administrator, and City Councilors to consider position eliminations the absolute last resort, especially given that of an \$8.6 billion+ city budget, personnel accounts for less than a third of total bureau expenditures and just 16 percent of the City's total budget.

Because the entire General Fund is just 13 percent of the city's total budget and 17% of net expenses, our coalition of city unions believes that solving the budget challenges ahead should examine all city operating funds, not just the GF, if we want cost saving efforts to be successful and service impacts minimized.

CONTRACTING OUT

In 2025, this coalition recommended that the administration put an end to the practice of contracting out positions that fulfill the work city employees can do and are doing, working right alongside the contracted worker. We demonstrated that as much as 20 percent of the cost could be recaptured by doing so. Yet, this year, the practice continues. We are told that one incentive to do so comes from the requirement that a five-year funding source be identified in order to convert a contract to an FTE. This rule should be revisited.

An update of the study done last year was prepared for this budget season. In it, a real example was offered for illustration: a contract Senior Project Manager cost the city an average of \$451,193.60 in 2025, whereas the in-house counterpart Capital Project Manager II cost the city for the same work \$201,229.83. Were our suggestion operationalized last year, the city would have saved **\$249,963.77** for just this single position. [See attached document.]

We believe that it is past time to aggressively move to end contracting positions that are identical to work performed by employees. Savings may accrue to rate-based bureaus and general funded bureaus alike.

The administrative branch should insist that bureaus' contracted class employees be brought in-house with much tighter control of exceptions; they should bar the loophole of creating a separate class of contract employees for work also performed by city employees except in demonstrated emergencies; and they should insist that bureau managers honor the PROTEC17 labor agreement (as well as the contracts of other city unions) that prohibits the contracting-out practice.

EFFICIENCIES

Another cost-saving measure that should be immediately undertaken is to form a Procurement Practices Work Group, composed of city workers who are best able to identify wasteful policies that cost inordinate amounts of city resources. They should be allowed to target expensive and irresponsible practices for elimination. For instance, workers have identified examples that irrationally and expensively burden bureaus, such as compelling all city employees to migrate to Microsoft 365, including fire bureau employees who do not use computers in their work and now must be furnished one and given a Microsoft account. The Fire Bureau anticipates a \$350,000-\$400,000 needless expenditure to comply with this one requirement. Even the use of procurement processes generates cost: processing each procurement request costs at least \$100 over the cost of the item purchased; were bureaus able to independently direct-purchase hard goods up to a certain price point and in conformance with best practices, huge sums of money could be saved in procurement labor and materials costs. An example of the latter: when employee travel is booked, using a travel aggregator for tickets and lodging may be significantly cheaper than using procurement to make these purchases, yet this is disallowed under current policy. The rule should be revisited. It should also be possible to accrue travel miles in a common fund for use to defray travel costs as other jurisdictions allow.

ADMINISTRATIVE BLOAT

Though more research should be done in this area, we would flag for you the fact that non-represented (administrative) FTEs increased by 16 percent from 2019 to 2026. This number has been adjusted for those who migrated to represented and also excludes the casual workforce. In a selection of managerial classifications in this period, significant increases were made – a 63 percent increase in Managers I/II/III. Compare this growth rate to that of union-represented employees: just seven percent growth accrued in this same seven-year timeframe. The frontline workers who provide the services Portlanders expect should be prioritized over layers of administrative personnel when layoffs are contemplated, particularly given the latter's disproportionate growth. And when executive managers are separated from city work, excessive severance packages – sometimes as much as \$241,000 -- must not continue, especially when frontline workers' jobs may be on the line.

FUND TRANSFERS

A look at the ending fund balances by fund type reflects the city's actual financial position well. While the General Fund is not realizing the large balances of the past four years, it has stabilized in fiscal year 2025 to the level of pre-pandemic-era budgets. Two of the rate-based funds, for sewer and water, have healthy ending fund balances (EFBs), totaling \$96.1 million and \$215.2 million respectively. The largest EFB of all, of course, is the Portland Clean Energy Fund, which ended the fiscal year with \$739.5 million – making it the single most successful fund program in the city. While commitments, plans, and other uses for these monies have been

debated, one strategy that could be a part of the overall approach to gap-closing is to loan a portion of these reserves to the General Fund to stave off loss of services and employee layoffs. Finally, a look at the Internal Service Funds – whose resources come from all bureaus to pay for such citywide services as facilities, fleets, printing, and insurance – could be scrutinized for use of healthy ending fund balances in certain expenditure classes that would suggest a one-year suspension of the inter-bureau transfer to make room for programmatic uses of those resources instead.

Two examples: the Facilities Services Operations came into this year with an EFB of \$166.5 million. The City Fleet Operations had \$135 million in ending fund balance. Both were three times the size of the fund's 2025 operating expenses. Given that these funds are supposed to net even and cover actual costs, the total of these two alone, of more than \$300 million in what may be viewed as excess collections, could save all city jobs currently being eyed for layoff. A one-year suspension of inter-bureau transfer, combined with a transfer out of all or a portion of these reserves, could restabilize the city's 2026-27 budget. The use of \$25 million in EFB resources, for instance, might be shared with the Health Insurance Operating Fund and insurance funds, which have run deficits over the past two fiscal years.

Finally, the discovery of set-aside housing funds in the amount of \$106 million reflects a systemic misunderstanding of the way such resources are accounted for. We call for a comprehensive analysis of all funds and fund balances to determine whether other monies may be similarly available. We understand that a third-party audit of city finances will be undertaken; this seems prudent as the new form of government reimagines its fiscal operations.

NEW REVENUE

We embrace the creative thinking of the Mayor and some City Councilors, who have developed concepts to approach the need for new resources, given the rising costs experienced by all entities at the same time that existing sources of money are waning. We understand that one such proposal would attach a fee on utility bills, then bond against the \$30 million raised to buy down the gas tax and free up General Fund revenue flowing to the Portland Bureau of Transportation for its projects. Another idea we would support is to increase an existing tax on CEO-worker ratios to raise another \$20 million. Other ideas that we see as meritorious are the street damage restoration fee, retail delivery fee, and food service delivery fees.

We have looked at novel ideas in other cities coping with similar budgetary challenges. In San Francisco, voters passed a "vacant storefront tax" which has raised \$5 million in five years, though enforcement issues may make this unpalatable.

In Vancouver, BC, the city has levied since 2017 an "empty home tax", to address housing affordability and encourage use of uninhabited homes for year-round use instead of as short-term rentals. The tax raised \$169.8 million in a five-year period. Oakland, California's voters passed a similar tax in 2018 that netted \$29 million in four years.

Blighted commercial property sitting vacant is the target of a Washington, DC property tax factor. This experiment may have burdensome administrative requirements, though, unless community members are engaged to identify and report properties that would qualify for the higher tax rate.

A mansion tax is another innovation passed by Los Angeles voters in 2022. And though Portland's inventory of high-end properties may not generate significant revenue from such a proposal, it may be worth at least exploring whether a transfer tax on real estate sold for \$5 million or more would be viable and worth the effort here. Such a tax might raise enough to dedicate to continuation of the Mayor's shelter program, for instance. (Over three years, LA's tax generated more than \$1 billion in revenue to the city.)

And finally, given that the City had expected to lose \$21 million due to the passage of HR 1 last year, we look forward to the final enactment of the Legislature's SB 1507 – disconnecting from several provisions of the law. Our understanding from the City's Revenue Division Director is that our automatic connection to the state income tax code will pass this restoration on to Portland, thereby sustaining Business License Tax revenues that would otherwise be impacted by this federal tax policy.

We offer all these ideas for efficiencies and revenue in the interest of rebuilding a thriving Portland. In that spirit, we look forward to ongoing collaboration with administration and policymakers going forward.

In solidarity,

Rob Martineau, AFSCME 189

Isaac McLennan, PFFA

Kari Koch, CPPW

Aaron Schmautz, PPA

Rachel Whiteside, PROTEC17

Mark Hinkle, DCTU

Ryan Sotomayor, LiUNA 483

Laurie Wimmer, NOLC