



## **Jessica Vega Pederson** Multnomah County Chair

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Dear Directors and elected colleagues,

Our whole community is facing economic headwinds at a time when we know people are struggling and need support more than ever. I appreciate how challenging this year's economic forecast is and how difficult this is for each of us. I imagine this is causing you worry and concern, and that other colleagues in your departments and across our workforce are feeling the same. It will take deep conversations, trust and leadership to make sure we're prioritizing what's most needed – especially so we can maintain as many of our services as possible as we face a significant \$21 million General Fund shortfall that we expect will continue to grow in future years.

I want you to know that first and foremost, I trust you to help me make the tough decisions that will be required. The work you show up for every day is incredibly important and provides essential services that this community counts on. You have been chosen for leadership because this is your life's work – and you've got the skills and acumen to make hard decisions and programmatic tradeoffs.

We will be faced with hard choices, including the elimination of programs and the need to make more significant cuts than have been required in recent years. Though this is not the largest deficit we've faced, the deficit facing us is larger than we can absorb by taking small piecemeal reductions. So my request is that you prioritize programs based on strategies that achieve the most important outcomes to help us continue building a diverse, thriving community with a sustainable future where all are safe, connected, and empowered to contribute. Our values of accountability, social and environmental justice, inclusively leading with race, equity and inclusion and safety and well-being should all come into play as we're making these tough decisions.

I feel strongly we need to prioritize safety and stability for our most vulnerable in this budget – especially for those community-members who are most in need of support. I'm considering that with these other priorities in mind:

- Maintaining direct services to the community, particularly focused on homelessness, behavioral health, and substance use
- Eliminating disparities and prioritizing services that focus on populations adversely affected by racism
- Funding a comprehensive, fair, and accountable system of community safety at current levels

To better communicate these focal points, I'm asking that departments submit outcomes at the operating division level for the FY 2026 budget. (Outputs will still be required at the program offer level.) This will allow the community to better understand what we are expecting this budget to fund. In your transmittal letter and division narratives, you will need to include clearly defined strategic outcomes. Your program investments and reductions should be rationalized based on these strategic outcomes in your offer. Please work closely with your assigned Chair's Office advisor and Budget Office analyst prior to submission on these outcomes.

In keeping with best practices, I ask you to seek solutions such as administrative efficiencies, streamlined programs and operations and the elimination of redundancies from department operations and program budgets. This should include a careful review of the prior year spending so you can be realistic about what your program needs to deliver the services that are most critical to meeting its outcomes.

Please consider how a One County approach can be integrated into your choices. If there are other departments or programs that provide similar services, now is the time to look at the desired outcomes and community and client needs through a holistic lens to see where the County as a whole can be more streamlined in our approach.

### **Community Budget Advisory Committees and Community Engagement**

Community Budget Advisory Committees (CBACs) are as important as they've ever been to this work. Which is why I ask that you support your CBAC and budget staff, working closely with the Office of Community Involvement, to improve the engagement process and participant experience. One recommendation is to make sure discussions are happening earlier in the budget process so that comments, thoughts and priorities have more time to be elevated and addressed before the

release of my proposed budget. We are hosting a virtual community town hall early in the year, giving us an opportunity to share economic forecasting and query the community at large for input. We will also be providing additional guidance during this year's process around community consultation and engagement. The County has a multi-part approach to community engagement, but the complexity of the process and the short timeline available for community involvement has the potential to limit impactful public engagement – which I'm looking forward to mitigating with a more robust and thoughtful approach this year.

### **Equity in Budgeting**

We focus on equity through every facet of our work, and will continue to do so. Centering and embedding equity in the annual budget process has been a priority for the past several years. This year you are again directed to make interdisciplinary assessments of programming decisions, equity-informed financial adjustments across programs and departments, and to connect your budgetary priorities to our Workforce Equity Strategic Plan (WESP) goals and action steps with thoughtful use of the Office of Diversity and Equity's enterprise-wide implementation and advising.

This includes a full suite of equity tools for the annual budget process, including the Budget Equity Tool, Budget Equity Worksheet, guidance for implementing an equity and empowerment lens and a post-budget assessment and mission focused equity analysis of previous budgets broken out individually by department and program offer. These steps will aid us in reaching our long-term goal of better utilizing data and equity-impact measures to understand and respond to the key needs of our community. You can reach out to your Department Equity Manager, Chief Diversity and Equity Officer Joy Fowler and/or Senior Equity and Inclusion Policy Analyst Terralyn Wiley if you have further questions as you undertake this work.

I am looking forward to helping your departments and the County as a whole take a measured, strategic approach to General Fund proposals. You will receive additional details about the budget process and instructions with the Central Budget Office's release of the budget manual. In addition, here is further specific direction on some of the primary areas to consider.

### **Baseline Current Service Level Budgets**

Departments should submit base budgets at current service level in Questica, along with three General Fund Reduction Packages as detailed further below. In your

baseline budget, you should include a cost-of-living adjustment (COLA) of 2.7% for our General Fund human services contractors. An allowance for this COLA will be included in your General Fund target allocations.

### **General Fund Allocation**

In order to have sufficient options to address our deficit, departments must submit three reduction packages at an 8%, 10%, and 12% reduction level.

To maintain our Sheriff's priorities and jail capacity in the public safety system, I ask the Multnomah County Sheriff's Office and Corrections Health to maintain current service level without a constraint exercise. I'm asking all other public safety programs to minimize cuts to public safety services as much as possible, with the Multnomah County District Attorney and Department of Community Justice modeling a 3% constraint. To minimize cuts to independently elected offices and the Division of Assessment, Recording and Taxation's revenue generating services as much as possible I'm asking for a 3% constraint to be modeled for the Board of County Commissioners, Chair's Office, Multnomah County Auditor and DART in the Department of County Management.

Every department and elected office will be asked to provide priority order of program offers to help understand and articulate county-wide priorities.

I realize that modeling these reductions will have impacts and be challenging, but there are several factors that require us to be conservative in our forecasting as we budget, including a long legislative session at the state level, an unknown federal landscape, increasing labor costs and a forecast that requires us to focus on what matters most. We're feeling pressure on our revenues at the same time that we're watching the community and our partners struggle under similar challenges. Thank you for your efforts to give us the best chance to succeed in developing a thoughtful constraint budget given all of these factors.

These reductions should use the following best practices:

- Cuts should primarily be entire programs or subprograms instead of partial reductions that would jeopardize the program being able to deliver services.
- Reductions or eliminations must be ongoing and not one-time-only.
- Related internal service costs should be included when entire programs or significant portions of programs are eliminated.
- Administrative reductions should be put together for each level of reductions unless they are directly tied to a specific program being reduced.

- Clear identification of what's being proposed and how those proposals will impact services is needed.
- Please do not submit partial reductions to FTE. FTE must be eliminated in full.
- These reductions must be balanced. If the department priority is to add new services, the cut must net out for each reduction level.
- Choices cannot increase costs for the rest of the County.

You are the experts, so I need your help in understanding the whole picture of programs and services that are interdependent so we're not making cuts to one program that will negatively impact another. Because I'm requesting three levels of reductions, I have asked the Budget Office to design a new format for reduction packages that they will send to departments..

### **Homelessness Response System**

Last year we prioritized programs designed to respond to homelessness from cuts. This year I ask again that you focus on the priorities and goals set out in the Homelessness Response Action Plan (HRAP) and keep them as close to whole as possible as we must continue to focus on this issue with coordinated resources to meet the objectives and outcomes we've set out in this plan. Similar to last year, I also ask you to highlight HRAP priorities in your department in your transmittal letter so they are clearly expressed and explicitly marked.

### **New Ongoing Requests**

New ongoing budget requests should be prioritized within a department's base current service level budgets by reallocating funding. If it's a high enough priority to be requested in this financial environment, we're assuming that it's a higher priority than other services you are currently providing. There will be limited exceptions to this guidance where new requests can be made through an add package. However, these requests must be justified based on how it contributes to the larger County priorities and tied directly to increasing outcomes.

### **New One-Time-Only Requests**

One-time-only (OTO) resources available for FY 2026 are significantly less than in the last several years. After adjusting to fully fund reserves, we are estimating there will be \$35 million of available OTO resources (with half going to facilities/IT projects and half allocated to other use, by Board policy). Departments can request new one-time-only General Funds through designated add packages.

### **Internal Service Additions**

Departmental requests to add additional internal services from the Department of County Assets will be treated similarly to requests for new General Fund resources. These items, and plans to financially support them, should be included in discussions by the department receiving the service with the Chair's Office after confirming that DCA will have the capacity to provide the service.

### **Resources from Voter-approved Initiatives**

The County continues to develop programs that are funded through the voter-approved initiatives: the Metro Supportive Housing Services (SHS) Measure, Preschool for All and the Multnomah County Library General Obligation Bond. Since these funding sources involve multiple departments, the Central Budget Office has created specific guidance that departments must follow to ensure that the approach to these services is consistent with the overall goals. In addition, we will have dedicated time in the budget preparation process to discuss the strategy and proposed investments for each of these funding streams.

### **Positions**

Personnel is one of the largest components of our budget and will be a large part of our reduction packages. I am requesting departments to only fill essential positions in FY 2025 and plan to use vacancies for budget reductions in FY 2026.

Departments should not hold vacancies for multiple years to meet their budget constraints; we expect that departments are analyzing vacancies. I'm also asking that departments not add any new FTE in the General Fund unless it is associated with new programming added within the base budget. Please prioritize key areas and essential operations in alignment with your strategic plans.

Feel free to reach out with questions or concerns as you step into this coming budgeting process. Budget Director Christian Elkin, my Chief of Staff Jenny Smith and the Budget and Strategic Partnerships Director in the Chair's Office, Sara Ryan, will lead Directors and their departments through this process and are here to work alongside you. Additionally, Interim COO Travis Graves, my policy team and the Central Budget Office's analyst team will continue to play vital roles to address and incorporate questions, ideas, feedback and changes throughout the work.

I am grateful for your leadership and commitment through this critical process - made more difficult this year because of our forecast. Thank you for your work and consideration as prioritization and careful stewardship of every dollar becomes more critical than ever. I look forward to seeing you at an upcoming budget meeting but please don't hesitate to reach out with questions in the meantime.

Sincerely,

A handwritten signature in black ink that reads "Jessica Vega Pederson". The signature is written in a cursive, flowing style.

Jessica Vega Pederson  
Multnomah County Chair