To: County Business Partners

From: Tracey Massey, Interim Deputy COO & DCA Director

Subject: FY 2027 Department of County Assets Cost Allocations

Date: November 24, 2025

This communication outlines the Department of County Assets' FY 2027 Internal Service Rates (ISRs) and cost allocations to departments, developed with a commitment to responsible financial stewardship. As the department that "serves the people who serve the people," DCA is dedicated to ensuring County departments have the essential resources to deliver exceptional service to our community while actively working to manage costs and maximize the value of every dollar.

We maintain the County's assets in support of the County's mission, vision, and values. Throughout the budget development process, DCA focuses on communication, collaboration, equity, and transparency.

DCA Business Priorities

Our budget and primary business priorities were developed with the needs of the County in mind. The priorities support the goals and outcomes identified in our strategic plan, and align with the goals and outcomes identified by the County as a whole.

DCA's top business priorities are to:

- Enable the County to provide accessible, high-quality, and innovative public services that create stability, enhance opportunities, and reduce disparities for those in our community.
- Support the Chair's *One County* vision by leveraging investments across multiple departments.
- Keep the lights on while preparing for the future.
- Strategically support Countywide expansion, key priorities, ongoing change and increasing demand for services.
- Provide an inclusive workplace that supports recruiting and retaining a skilled and diverse workforce.
- Enhance the Customer Experience programs across DCA's divisions.

Budget Target

DCA's FY 2027 budget process kicked off in August. We greatly appreciate the partnership and collaboration with each department to review and evaluate the assets and services DCA provides. We know there is a lot of effort required to validate cost drivers, and forecast future needs.

During September and October, DCA leadership met with the offices of the Chair, COO, and Central Budget for a series of three meetings. At the Chair's request, DCA engaged in a constraint exercise to develop the FY 2027 budget. Following the planning process, the Chair directed DCA to implement a **net budget reduction of $6.7M (6%)**. The Chair's letter notes a reduction of $7.1M. To achieve a net $6.7M, we needed to add different skills and find additional reductions.

In addition to reductions taken during the prior fiscal years, to meet the FY 2027 reduction targets, DCA prioritized preserving essential services while making necessary adjustments to service levels. Service impacts will be shared with departments in December. Each of DCA's divisions was impacted by the constraint, whether a reduction in FTE, a reduction in services, or a general reduced budget. Decisions were made with consideration for County impact and were guided by application of DCA's budget equity tool. DCA's equity tool allows us to evaluate constraint items through a lens of safety and security impact, equity and ability to implement the Workplace Equity Strategic Plan (WESP), and long-term/daily impact of the constraint. It should be noted that DCA did not request any program additions in its FY 2027 budget.

The total Internal Service allocation is $201.3M. This amount includes $10.3M in pass-through costs for the Department of County Management's Workplace Security Program, in addition to DCA's direct services.

Expense Category	FY 2027 Budgeted Amount	Change from FY 2026 Adopted Budget
DCA's Direct Service Allocation	$191.0M	2.77% increase ($5.15M)
Workplace Security	$10.3M	13.0% increase ($1.19M); from mid-year revision: 6.59% ($639K)
Total Internal Service Allocation	**$201.3M**	**2.96% increase ($5.79M)** reflects mid-year revision

DCA's budget is impacted by variable inflationary increases that are specific to our industries. We are impacted by tariffs, utility rates, etc. The Chair approved the following inflationary increases which are reflected in our ISRs:

- **Personnel 4.96%:** DCA applied the Central Budget Office's FY 2027 Countywide adopted rate.
- **Contractual Services and Materials and Supplies:** Factors such as tariffs, renegotiation of contracts, and cost of goods impacted the inflationary rates in these categories. The following rates were utilized in DCA's divisions: 6.0% for Facilities and Property Management, 8.0% for Information Technology, and 6.0% for all other DCA divisions
- The annual Facilities Capital Improvement Plan increase remains at 8.0%.

Division Specific Information

The following section provides operations priorities and specific budget information by Divisions. Additional information will be provided to each Department in December.

Information Technology

The Information Technology (IT) Division provides all IT services to County programs, including business application development and support, third-party system support, system integration services, enterprise tools and capabilities, network management, information security, desktop support, technology refresh, data center operations, and reporting services.

While the IT budget is significant, the majority of it is necessary to maintain existing service levels. However, technology advancement is integral to the delivery of county operations. The IT division frames its work through the County Digital Strategy 2025-2028, some highlights include:

- Implementing responsible uses of Artificial Intelligence; leveraging existing investments, and exploring new innovative opportunities including
    - Developing an AI Literacy Program
    - Creating an Agentic AI governance framework
    - Intersecting with Contracts and Procurement processes
- Continuing to implement Microsoft to Google transition, including expanding the rollout of Chromebooks, providing significant cost savings.

- Migrating our most important Business Intelligence databases to Snowflake to improve reporting capabilities.
- Developing a comprehensive data strategy (AI, Business Intelligence and GIS) while continuing to implement our data governance program
- Continuing our focus on security, managing browsers, identity and access management, zero-trust networking, and hardening endpoint security.
- Expanding the strategic software program to provide tools offering the best value.

IT's internal service revenue is estimated to be **$80.5M which is an increase of $1.8M, or 2.3%**, from FY 2026. This amount includes the budget for IT Data, Telecommunication, and Wireless and Mobile Devices.

IT Data is $73.8M, which is an increase of $1.9M, or 2.6%, from FY 2026. Increases are due to inflationary factors in personnel, and software and asset replacement costs.

The Telecommunications program provides and manages voice and video communications. This program is estimated to cost $4.1M, or (5.0%) less than FY 2026. This is primarily due to reductions in materials and supplies as partially offset against inflationary factors in personnel, and increased software and equipment costs.

The Mobile Device Management program acquires, provisions, monitors, and pays for County-issued mobile devices. This program is estimated to cost $2.6M or 11.3% more than FY 2026. Inflationary factors, as well as, a higher level of mobile device utilization contribute to this increase.

Facilities and Property Management

The Facilities and Property Management (FPM) Division acquires, constructs, maintains, and manages the County's portfolio of building assets.

The **Facilities and Property Management Division** (FPM) priorities are focused on effectively leveraging the County's physical footprint, while creating more welcoming and technology supported spaces. In addition to maintaining the buildings and responding to building issues, FPM will maintain and improve our spaces through ongoing capital improvement projects, work collaboratively with Fleet on electric vehicle charging station strategies, and continue to improve customer service by reducing the number of outstanding Preventative Maintenance work tickets.

This program comprises both Operation and Capital funds, which receive internal service revenue estimated to be **$104.3M, an overall increase of $4.3M, or 4.3%**, from FY 2026. Major costs within the funds are described below.

Operations and Maintenance (O&M) charges are estimated to be $29.8M, a 1.3% increase over FY 2026. This increase is driven by inflationary factors in personnel, contractual services, materials and supplies, as well as a square footage increase of over 55,000 square feet, or 1.9%. FY 2027 marks the second year of the new FPM allocation model. The model allocates O&M costs based on direct building costs of each building, which were calculated using the average of past three years' direct building costs and then inflated for FY 2027. Other O&M components, including administrative cost, overhead cost and contingency, are each calculated as a percentage of direct building cost.

Capital funds for Capital Improvement Plan projects are estimated to be $25.4M, a $1.3M, or 5.5%, increase from FY 2026. This increase includes the 8.0% annual cost per square foot rate increase and an additional increase in County square footage.

Pass-through. The following pass-through costs are largely outside of FPM's direct control. Continuing the change which began in FY 2026, these costs are billed to County departments based upon actual usage each month. A final reconciliation of costs is conducted at the end of the fiscal year.

Debt is estimated at $7.4M, a $0.1M, or 2.0%, reduction over FY 2026, and is relatively flat year-over-year.

Utilities are estimated to be $9.1M. This represents a $0.6M, or 7.1%, increase over FY 2026. This increase is influenced by higher utilities rates, additional square footage, and general overall increases due to historical usage. Anticipated FY 2027 increases for utilities ranges between 5.50% and 8.00%. Increases by utility type follows: Garbage/recycling: 5.50%; Electricity: 6.00% (Pacific Power), 7.00% (PGE); Water: 7.00%; and Natural Gas: 8.00%.

Leases are estimated to be $11.1M, a $(0.4M), or (3.5%), reduction over FY 2026. This is due to annual inflation of 3.0 - 5.0% and a combination of newly acquired leases and those that are ending. FPM evaluates existing buildings before recommending new leased space to departments. Lease portfolio changes reflect strategic program relocations and consolidations.

Janitorial services are estimated to be $10.7M, a $1.3M, or 13.7%, increase over FY 2026. While the contractual increase is 6.0% for FY 2027, the higher average increase is due to the inflationary increase and department requested changes.

The City of Portland Clean and Safe District Tax is estimated to be $431K, a $43K, or 11.1%, increase over FY 2026. This tax is an annual fee assessed for specific County buildings. The expense is allocated through the ISR model and charged accordingly to building occupants.

Workplace Building Security, the Security Operations Center (SOC), and Security Patrol costs are budgeted at $10.3M, a $1.19M or 13.0% increase over FY 2026. This budget reflects a full reconciliation of actual costs from FY 2025, as well as, analysis of FY 2026 costs to date. The budget was developed collaboratively by the County's Workforce Security Team and DCA's Budget Team. The increased FY 2027 budget is primarily due to higher vendor costs, specifically negotiated personnel rates, the additional expense for the Security Operations Center, and Security Patrols for existing buildings and buildings coming online during FY 2027.

Fleet, Motor Pool, and Distribution Division

Fleet acquires, maintains, and manages the County's Fleet vehicles. In addition, this program collects replacement funds, which are recovered on a per vehicle basis, based on the lifecycle of the vehicle. In FY 2027, Fleet will:

- Provide customized resources and support so employees can safely operate increasingly complex vehicles and equipment.
- Leverage technology to improve efficiency for shop operations and streamline processes for customers.
- Collaborate with suppliers on upfitting that optimizes each programs' ability to innovate and maximize their services within the community.

This program's internal service revenue is estimated to be **$10.8M, an increase of $0.4M, or 3.7%**, from FY 2026. This revenue is split into two categories: Operations and Asset Replacement.

Fleet Operations fund collection in FY 2027 is $6.7M, an increase of $372K, or 5.8%, from FY 2026. The increase is primarily due to fuel fees to the City of Portland increasing by 12.0%, vended services for repairs and maintenance increasing by 31.0%, personnel costs increasing by 4.96%, and internal services increasing by 5.0%. Commercial repairs, parts, and professional services are adjusted to match anticipated consumption, based on previous usage.

The Vehicle Replacement fund collection in FY 2027 is $4.1M, an increase of $17K, or 0.4%, from the FY 2026 Adopted budget. The relatively small increase is due to an increase in accounting for future replacement costs.

Motor Pool provides County-owned, shared vehicles for single-trip or short-term use in three County locations, and a vehicle rental program through Enterprise. Motor Pool will continue to optimize Motor Pool fleet size and vehicle types to meet diverse customer needs.

This program's internal service revenue is estimated to be **$984K, a decrease of $(7K) or (0.70)%** from FY 2026. The program costs increased due to the inflationary increase in personnel costs and internal service costs. However, pass-through costs are reduced as the program right-sizes the number of CarShare and Enterprise vehicles.

Distribution provides pickup and delivery of mail and select supplies. Distribution Services will optimize mail and delivery services to improve special delivery and critical shipment logistics. This program's internal service revenue is estimated to be **$1.7M, a decrease of $(174K) or (9.20)%** from FY 2026.

Records and Archives

The **Records and Archives Division** provides records and archives management services and oversight. In FY 2027, the Records and Archives Division will:

- Continue to improve the transfer, preservation, accessibility, and disposition of born-digital records.
- Create educational materials and self-service tools to support workforce members to properly manage County public records in physical and electronic form.
- Continue to develop clear guidance for public records law compliance.
- Enhance outreach and accessibility of archival public records to the community.
- Work with departments to update and simplify their retention series (add records currently created, remove records no longer created, consolidate records series for records common to all departments).

This program's internal service revenue is estimated to be **$2.9M, an increase of $53K, or 1.8%** from FY 2026. The increase is primarily due to inflationary factors in personnel, internal services, and a larger share of vacant space at the Yeon building.

Questions

For any questions on internal services for FY 2027, contact the resources listed on the page that follows for each area, or email dca.budget@multco.us for any DCA Budget questions.

DCA Contact Information

Senior Leadership Team		
Tracey Massey	Director	tracey.massey@multco.us
Kerensa Mauck	Deputy Director	kerensa.mauck@multco.us
Patsy Moushey	Human Resources Manager	patsy.moushey@multco.us
Sim Ogle	Chief Information Officer	sim.ogle@multco.us
Mary-Margaret Wheeler-Weber	Administrative and Employee Analyst Senior	mmww@multco.us
Mary Wiener	Customer Engagement and Strategic Initiatives Manager	mary.wiener@multco.us
Sophie Wilson	Equity and Inclusion Manager	sophie.wilson@multco.us
Dan Zalkow	Facilities and Property Management Director	dan.zalkow@multco.us
Budget Team		
Nancy Artmann	Budget and Finance Director	nancy.artmann@multco.us
Chris Brower	Fleet, Motor Pool, Distribution, and Records and Archives Budget Analyst	dca.budget@multco.us
Alexander Harrington	FPM Budget Analyst	dca.budget@multco.us
Joel Juve	IT and Capital Senior Budget Analyst	dca.budget@multco.us
Becky Zou	FPM and Capital Senior Budget Analyst	dca.budget@multco.us
Facilities and Property Management		
Jeff Lewis	Assistant Director for Client Support Services	jeff.lewis@multco.us
Fleet, Motor Pool, Distribution, and Records and Archives		
Lauren Kelly	Fleet Services Manager	lauren.kelly@multco.us
Edward Reed	Distribution and Motor Pool Supervisor	edward.reed@multco.us
Deidre Thieman	Records and Archives Supervisor	deidre.thieman@multco.us

Information Technology		
Tony Chandler	Portfolio Manager: DCA, DCM, DCS, NonD	tony.chandler@multco.us
Dan Cole	Portfolio Manager: HSD, DCHS, DCJ, LPSCC	daniel.l.cole@multco.us
Dave Halbeck	Portfolio Manager: Library	dave.halbeck@multco.us
Maegan McHenry	Portfolio Manager: Health, DA, MCSO	maegan.mchenry@multco.us

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