



DATE: November 13, 2013
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 13-43
Public Hearing on Budget Amendment No. 1; Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2013, and Ending June 30, 2014; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7030

ACTION DESCRIPTION

This proposed action will formally amend the current fiscal year (FY) 2013-14 Adopted Portland Development Commission (PDC) Budget for the first time in the following ways:

- (1) Adjust beginning fund balances to match actual FY 2012-13 year-end fund balances;
- (2) Adjust individual project and real estate management budgets using updated information on property management expenses and staff time;
- (3) Adjust program budgets based on new activity (Community Livability Grant program budget in the Lents Town Center Urban Renewal Area (URA) and Commercial Property Redevelopment Loan (CPRL) program in the River District URA);
- (4) Adjust the General Fund to account for prior year committed carryover of funds as well as a funding exchange for Community Development Block Grant (CDBG) resources in the Economic Opportunity Initiative (EOI) program; and
- (5) Adjust the Portland Housing Bureau (PHB) Set Aside Budget for required carryover.

In summary, FY 2013-14 Budget Amendment No. 1 increases the total PDC budget from \$224,178,684 in the FY 2013-14 Adopted Budget to \$260,931,360 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency total budgeted expenditures increase from \$175,415,184 to \$190,201,050.

BACKGROUND AND CONTEXT

The FY 2013-14 Budget Amendment No. 1 is the first budget amendment of the fiscal year and the majority of the changes are related to updating the budget to reflect actual beginning fund balances and recognizing project carryover/adjustments. These adjustments provide the best picture of available resources leading into the FY 2014-15 budget development cycle.

COMMUNITY AND PUBLIC BENEFIT

The FY 2013-14 Budget Amendment No. 1 serves the public interest by ensuring that the PDC Board of Commissioners (Board) has appropriated adequate public funds to be lawfully expended by PDC to implement planned projects and programs for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing held by the Board on Budget Amendment No. 1 prior to action on the resolution. In addition, PDC performs an extensive amount of public outreach through meetings held throughout the year by its advisory groups as part of its budget development process. No specific outreach has been performed regarding this action; however, notice of the public hearing to be held by the Board on Budget Amendment No. 1 was published prior to the meeting in the manner required by local budget law. Changes included in the FY 2013-14 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2013-14 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2013-14 Revised Budget reflect the financial implications of business decisions which amount to approximately \$190,201,050 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Changes to Resources

- **Beginning Fund Balance:** Increases \$37,290,272 to recognize higher FY 2012-13 ending fund balances. Most of the increase is related to unspent funds related to the Housing Set Aside and PDC lending funds across URA funds with the largest balances in the River District and Interstate URAs.
- **Intergovernmental Revenues:** Increases \$537,351 based on adjustments to CDBG allocations for EOI.
- **Loan Collections:** Increases \$903,152 for updated estimates on current year loan income, mostly related to the River District URA.
- **Long Term Debt:** Decreases \$3,500,000. The current year line of credit was removed in the Interstate Corridor URA based on the revised beginning fund balance cash flow needs.
- **Miscellaneous:** Increases \$235,112, mostly to recognize private grant revenue for EOI and Neighborhood Prosperity Initiative programs.
- **Property Income:** Decreases a net \$83,908 for changes in property income and property sale assumptions (mostly related to decrease in the Downtown Waterfront URA property sale assumptions/timing). Includes additional planned sale of parcel in the Interstate Corridor URA.
- **Reimbursements:** Increases a net \$548,454 for changes in reimbursable charges. The largest change is related to estimated reimbursements for River District URA environmental remediation activities.
- **Short Term Debt:** Increases \$68,860 to match budget to short term debt in the tax increment forecast.
- **Transfers In:** Increases \$729,592 for internal transfers including the repayment of short-term inter fund loans for cash flow purposes.

Changes to Requirements

- **Administration:** Decreases a net \$228,295 to reallocate staffing and other costs previously classified as administration to specific business lines.
- **Business Development:** Increases a net \$1,762,652, mostly related to increases in General Fund and Housing Community Development Contract fund (also known as CDBG) funding for carryover of Portland Startup funds and EOI activity.
- **Infrastructure:** Decreases a net \$2,723,513 for change in timing on parks and transportation projects in the Lents Town Center and Interstate Corridor URAs. Funds will be included in the draft FY 2014-15 budget and forecast.

- **Housing:** Increases a net \$5,400,990 for carryover in multiple URAs related to the Housing Set Aside managed through an intergovernmental agreement with PHB.
- **Property Redevelopment:** Increases \$10,574,032 to add funding to the CPRL program in the River District URA based on anticipated demand, and for site development activities at Cascade Station. Also includes updated budgets for property management, site improvement, and environmental remediation activities for PDC-owned property in all other URAs.
- **Transfers:** Increases \$729,592 for internal transfers including the repayment of short-term inter fund loans for cash flow purposes.
- **Contingency:** Increases a net \$21,237,218 to add funds from increases in beginning fund balances and other resources that are not being appropriated for spending in this budget revision.

RISK ASSESSMENT

Should the Board decide not to approve FY 2013-14 Budget Amendment No. 1, there may be inadequate appropriations for some projects and programs that are underway. An over-expenditure of an appropriation within a fund is a violation of local budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ALTERNATIVE ACTIONS

The Board could choose not to approve FY 2013-14 Budget Amendment No. 1 and direct staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation and, if expended, may trigger a violation of local budget law.

ATTACHMENTS

None